

EXHIBIT 1

COMMUNITY HOUSING DEVELOPMENT ORGANIZATION (CHDO)

A CHDO is a private nonprofit organization certified by the HOME program to perform housing-related activities involving *ownership*, *sponsorship* and *development*. Each CHDO must demonstrate staff capacity and development in order to retain CHDO status annually. For this reason, a CHDO may not subcontract all program related duties on a continual basis. A CHDO may have a multi-county service area; however, it may not cover the entire State of Montana. Organizations applying to become a CHDO in the State of Montana agree to the following:

1. Certification by Montana Department of Commerce (MDOC);
2. Incorporation under State of Montana law;
3. Has no part of its net earnings inuring to the benefit of any member, founder, contributor, or individual;
4. Is neither controlled by nor under the direction of individuals or entities seeking to derive profit or gain from the organization. A CHDO may be sponsored or created by a for-profit entity, BUT:
 - The for-profit entity may not be an entity whose primary purpose is the development or management of housing, such as a builder, developer, or real estate management firm;
 - The for-profit entity may not have the right to appoint more than one-third of the membership of the organization's governing body, nor may board members appointed by the for-profit entity appoint the remaining two-thirds of the board members; and
 - The CHDO must be free to contract for goods and services from vendors of its own choosing;
5. Has a tax exemption ruling from the Internal Revenue Service under section 501(c) (3) or (4) of the Internal Revenue Code of 1986;
6. Does not include a public body or an instrumentality of a public body;
7. Has standards of accountability that conforms to OMB Circular No. A-110;
8. Has among its purposes the provision of decent housing that is affordable to low income and moderate income persons, as evidenced in its charter, articles of incorporation, resolutions or by-laws;

9. Maintains accountability to low-income community residents by:
 - Maintaining at least one-third of its governing board's membership for residents of low income neighborhoods, other low income community residents, or elected representatives of low income neighborhood organizations; and
 - Providing a formal process for low income program beneficiaries to advise the organization in its decisions regarding the design, siting, development, and management of affordable housing;
10. Has a demonstrated capacity for carrying out activities assisted with HOME funds; and
11. Has a history of serving the community within which housing to be assisted with HOME funds is to be located.

Any organization that would like to apply for CHDO status in the state of Montana must contact the HOME program for an official CHDO application.

CHDOs can apply for HOME grants to complete *development*, *ownership* and *sponsorship* activities. CHDOs are also eligible to apply for non-CHDO activities; however, a CHDO loses its' CHDO status for the applicable year of competition and will not receive special consideration for the 15 percent set-aside funds.

CHART 1: CHDO ACTIVITIES	ACTIVITIES ELIGIBLE FOR CHDO SET ASIDE			ACTIVITIES <u>NOT</u> ELIGIBLE FOR CHDO SET ASIDE
ELIGIBLE ACTIVITY	CHDO Developer*	CHDO Sponsor	CHDO Owner	CHDO GRANTEE
Acquisition/rehabilitation of rental housing	X	X	X	
New construction of rental housing	X	X	X	
Acquisition/rehabilitation of homebuyer properties	X	X	X	
New construction of homebuyer properties	X	X	X	
Direct financial assistance (i.e. downpayment and closing costs) to purchasers of HOME-assisted homebuyer housing owned, sponsored or developed by a CHDO with HOME funds	X	X	X	
Tenant-based rental assistance (TBRA)				X
Homeowner rehabilitation				X
Providing of down-payment or closing cost assistance				X
Brokering or other real estate transaction when CHDO acts as a conduit for HOME funds				X
* If a CHDO's involvement in a development is as an owner, it MUST have control of the development, as evidenced by legal title or a valid contract of sale.				